Supreme Court, U.S.
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No.

IN THE

SUPREME COURT OF THE UNITED STATES

NIKE, INC.,

Petitioner,

v.

WAL-MART STORES, INC. AND HAWE YUE, INC.,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

APPENDIX TO THE PETITION FOR A WRIT OF CERTIORARI

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App. 1

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

97-1173

NIKE, INC.,

Plaintiff-Appellee,

v.

WAL-MART STORES, INC. and HAWE YUE, INC.,

Defendants-Appellants.

DECIDED: March 12, 1998

Before MAYER, Chief Judge,* NEWMAN and PLAGER, Circuit Judges.
NEWMAN, Circuit Judge.

Wal-Mart Stores, Inc., and Hawe Yue, Inc. appeal the judgment of the United States District Court for the Eastern District of Virginia,[1] concerning United States Design Patent No. 348,765 (the D'765 patent), owned by Nike, Inc. The court held the patent

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* Chief Judge Haldane Robert Mayer assumed the position of Chief Judge on December 25, 1997.

[1] Nike, Inc. v. Wal-Mart Stores, Inc., 41 USPQ2d 1146 (E.D. Va. 1996).

valid and infringed, and awarded the infringers' profits to the patentee in accordance with 35 U.S.C. §289. The appellants do not appeal the rulings of validity and infringement, but raise issues of patent marking, notice, the measure of compensation, and accounting.

We reverse the district court's holding that the marking statute does not apply when remedy for infringement is obtained under 35 U.S.C. §289, and remand for findings concerning Nike's compliance with the marking statute. The court's accounting methodology is affirmed.

BACKGROUND

The D'765 patent is for Nike's "Air Mada Mid" model athletic shoe design, illustrated as:



The D'765 patent was applied for on October 13, 1993, and issued on July 19, 1994 upon Nike's expedited prosecution. Nike introduced these shoes into the marketplace in April 1994. Significant numbers of shoes had already been manufactured and sold, or were already in the distribution chain, at the time of patent

issuance; these shoes were unmarked with the patent number. Nike implemented marking procedures after patent issuance.

Hawe Yue imported copies of the Air Mada Mid design shoes starting in April 1995, and Wal-Mart's first retail sales were in May 1995. On January 18, 1996 Nike filed suit in the Eastern District of Virginia. The appellants' position is that the presence in the marketplace and the sale of unmarked shoes before and after Nike's asserted marking precludes Nike's recovery for any infringement that occurred before suit was filed, citing the marking statute, 35 U.S.C. §287(a):

> **§287(a).** Patentees . . . may give notice to the public that the same is patented, either by fixing thereon the word 'patent' or the abbreviation 'pat.', together with the number of the patent, or when, from the character of the article, this can not be done, by affixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of a failure to so mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

The district court held that the marking statute applies when the requested remedy is "damages," e.g., the remedy provided for in the general damages provision, 35 U.S.C. §284:

> **§284.** Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty . . . .

However, the court held that the marking statute does not apply to limit recovery of the infringer's profit, an alternate remedy for design patent infringement, codified at 35 U.S.C. §289:

> **§289.** Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but not less than $250, recoverable in any United States district court having jurisdiction of the parties.
>
> Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

Although the parties disputed factual issues of marking, as well as the legal effect of the existence of unmarked shoes, the district court found it unnecessary to resolve these issues. Holding that marking is not required by statute when recovery of the infringer's profit is sought under §289, the district court awarded Nike the appellants' profits for all of the infringing sales. Wal-Mart and Hawe Yue

appeal this ruling, contending that Nike's sale of unmarked shoes precludes any recovery for infringement, however measured, before suit was filed. Nike responds that the district court correctly held that §287(a) does not apply. Alternatively, Nike states that its marking procedures complied with §287(a).

I
MARKING

The district court considered the provision in §287(a) that "[i]n the event of a failure to mark, no damages shall be recovered by the patentee in any action for infringement." The court held that the provision is unambiguous, and cited the "longstanding distinction in patent law between damages and profits," quoting Braun Inc. v. Dynamics Corp. of America, 975 F.2d 815, 824, 24 USPQ2d 1121, 1128 (Fed. Cir. 1992) (holding that the treble damages provision of §284 does not apply to recovery of profits under §289). The district court held that the distinction between damages and profits requires that the marking statute with its limitation on "damages" does not apply to a recovery of the infringer's "profit" under §289.

The appellants challenge this statutory interpretation. They contend that "damages" is used in §287(a) in its general and ordinary meaning of money recovered from a wrongdoer, however the recovery is measured. Nike responds that the historical distinction between profits and damages supports and indeed requires the district court's ruling. Nike proposes that since these statutory provisions are unambiguous no further inquiry is warranted.

Although a statute clear on its face does not warrant resort to history, inquiry is proper to determine whether ambiguity has invaded an apparently clear text. Cf. Mansell v. Mansell, 490 U.S. 581, 592 (1989) (requiring "clear evidence that reading the language literally would thwart the obvious purposes of the Act"); Trans Alaska Pipeline Rate Cases, 436 U.S. 631, 643 (1978). Our inquiry into the parallel but separate evolutions of the marking statute and the remedies statutes has led us to an interpretation that departs form the plain words of the statute. We conclude that the term "damages" as it appears in the marking statute is not limited to the recovery at law from which it arose, but includes recovery measured by the infringer's profits, and continues to be so used although such recovery is now limited to design patent infringement. The statutory history establishes that the marking requirement has always applied, and continues to apply, to both recovery of the infringer's profit under §289, and recovery of damages, however measured, under §284.

A
Damages and Profits

The first patent statutes reflect the separation of law and equity, carried over from the English common law of patents. The Patent Acts of 1790, 1793, and 1800 provided the remedy of damages in an action at law "on the case," the Act of 1790 providing that the infringer should pay "such damages as shall be assessed by a jury," the Act of 1793 awarding threefold the patentee's sale or licensing price, and the Act of 1800 awarding "a sum equal to three times the actual damage sustained by such patentee." See Act of 1790, 1 Stat. 111; Act of 1793, 1 Stat. 318; Act of 1800, 2 Stat. 37.

The equitable remedy of injunction in patent cases was authorized in 1819. By the Patent Act of 1836 a patentee could recover compensatory damages in an action at law (the "actual damages sustained by the plaintiff, not exceeding three times the amount thereof"), or when an injunction was sought the patentee could recover the infringer's profit. See Act of 1836, 5 Stat. 117; Stevens v. Gladding, 58 U.S. (17 How.) 447, 455 (1855) ("The right to an account for profits is incident to the right to an injunction, in copy and patent right cases.") Thus the patentee could elect to proceed in equity and recover the infringer's profits, or to proceed in law and recover "as damages, compensation for the pecuniary injury he suffered by the infringement." Birdsall v. Coolidge, 93 U.S. 64, 68-69 (1876). However, the patentee was required to choose between these paths of recovery. In Birdsall the Supreme Court described the difficulties in obtaining just monetary recovery in equity suits, writing that "manifest injustice was done to the complainant in equity suits," 93 U.S. at 69, reflecting accounting and related difficulties. As remedy, the Act of 1870 authorized the court in equity to award both the infringer's profits and compensatory damages:

> §55 . . .[T]he court shall have power, upon bill in equity filed by any party aggrieved, . . . to prevent the violation of any right secured by patent, . . . and upon a decree being rendered in any such case for an infringement, the claimant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby . . . .

Act of 1870, 16 Stat. 201.

Although by its terms the Act of 1870 allowed a double recovery, the Court in Birdsall held that damages should be awarded only to the extent that "the injury sustained by the infringement is plainly greater than the aggregate of what was made by the [infringer]." Birdsall, 93 U.S. at 69. In Coupe v. Royer, 155 U.S. 565 (1895) the Court again explained that the patentee should recover at least his losses:

> There is a difference between the measure of recovery in equity and that applicable in an action at law. In equity, the complainant is entitled to recover such gains and profits as have been made by the infringer from the unlawful use of the invention, and, since the act of July 8, 1870, in cases where the injury sustained by the infringement is plainly greater than the aggregate of what was made by the defendant, the complainant is entitled to recover the damages he has sustained, in addition to the profits received. At law the plaintiff is entitled to recover, as damages, compensation for the pecuniary loss he has suffered from the infringement, without regard to the question whether the defendant has gained or lost by his unlawful acts–the measure of recovery in such cases being not what the defendant has gained, but what the plaintiff has lost.

155 U.S. at 582 (1895). As explained in 3 W. Robinson, The Law of Patents § 1091 at 406 (1890), a plaintiff in equity could recover the infringer's profit and "damages also where [the plaintiff's] loss exceeded the defendant's profit." Thus the Act of 1870 provided for

the recovery of damages in equity, but it did not allow for recovery of the infringer's profit as such in an action at law.

Because both the patentee's losses and the infringer's profits could be obtained in equity, whereas only the patentee's losses were recoverable at law, after 1870 a patentee had incentive to invoke equity jurisdiction even when injunctive relief was not important. However, even when the patentee prevailed in the equity court, computation of the amount of the patentee's recovery, whether measured as the infringer's profits or the patentee's losses, often presented a difficult problem of proof, for the Court had meanwhile held that the patentee could recover only the proportionate amounts that were proven to be attributable to the patented feature. E.g., Garretson v. Clark, 111 U.S. 120, 121 (1884) (the patentee "must, in every case, give evidence tending to separate or apportion the defendant's profits and the patentee's damages between the patented feature and the unpatented features").

Apportionment presented particularly difficult problems of proof for design patentees, for the patentee was required to show what portion of the infringer's profit, or of his own lost profit, was due to the design and what portion was due to the article itself. A series of cases involving carpet designs brought matters to a head, leading to the separate remedy for design patent infringement. The cases involved the Dobson brothers, who were found to have infringed patented designs for carpets. The Supreme Court held that the Dobsons were liable for no more than "nominal damages" of six cents because the patentees could not show what portion of their losses or the infringers' profits was due to the patented design and what portion was due to the unpatented carpet. See Dobson v. Dornan, 118 U.S. 10 (1886); Dobson v. Hartford Carpet Co., 114

U.S. 439 (1885); Dobson v. Bigelow Carpet Co., 114 U.S. 439 (1885).

Legislative remedy, specific to design patents, soon followed. Referring to the Dobson decisions, Congress reported that:

> It now appears that the design patent laws provide no effectual money recovery for infringement. This is the result of the statute, as applied to the peculiar character of property involved, in a test case decided April last by the Supreme Court of the United States. Since that decision the receipts of the Patent Office in the design department have fallen off upward of 50 per cent, and the average weekly issue of design patents has also fallen off just one half.

H.R. Rep. No. 1966 at 1 (1886), reprinted in 18 Cong. Rec. 834 (1887). The Report explained that "[i]t is expedient that the infringer's entire profit on the article should be recoverable," for "it is not apportionable," and "it is the design that sells the article." Id. at 2-3. The Report drew analogy to trademark law, and "the good will the design has in the market." Id. at 3. The Act of 1887, specific to design patents, removed the apportionment requirement when recovery of the infringer's profit was sought:

> §1. Hereafter, during the term of letters patent for a design, it shall be unlawful for any person other than the owner of said letters patent, without the license of such owner, to apply the design secured by such letters patent, or any colorable imitation thereof, to any article of manufacture for the

> purpose of sale, or to sell or expose for sale any article of manufacture to which such design or colorable imitation shall, without the license of the owner, have been applied, knowing that the same has been so applied. Any person violating the provisions, or either of them, of this section, shall be liable in the amount of two hundred and fifty dollars, he shall be further liable for the excess of such profit over and above [that sum, the full amount recoverable] either by action at law or upon a bill in equity for an injunction to restrain such infringement.
>
> §2. That nothing in this Act contained shall prevent, lessen, impeach, or avoid any remedy at law or in equity which any owner of letters patent for a design, aggrieved by the infringement of the same might have had if this act had not been passed; but such owner shall not twice recover the profit made from the infringement.

Act of 1887, 24 Stat. 387. The Act of 1887 thus authorized recovery by the patentee of the infringer's profit when the infringer appropriated the patented design "knowing that the same has been so applied." Id.

In 1897 the courts of law were granted the power to grant injunctions in patent cases, and to award both the infringer's profits and the patentee's damages; and to increase damages in accordance with the principles of trespass upon the case. Act of 1897, 29 Stat. 692. This statute makes no reference to the special rule for design

patents enacted ten years earlier, and indeed there appears to be no conflict between them. The ensuing statutes also generally distinguished between recovery of the infringer's profits and the patentee's damages, without referring to the special remedy for design patent infringement. E.g., Act of 1922, 42 Stat. 392; Act of 1946, 60 Stat. 778.

For the 1946 Act, which provided that the patentee should recover at least a reasonable royalty, the legislative history states that this "would not preclude the recovery of profits as an element of general damages." H.R. Rep. No. 1587, 79th Cong., 2d Sess. (1946); S. Rep. No. 1503, 79th Cong., 2d Sess. (1946). Calling the infringer's profits "an element of general damages" was not unusual, for it reflected common usage as well as the history wherein both the patentee's losses and the infringer's gain were measures of recovery for infringement for utility as well as design patents.

The difference for design patents, as enacted in 1887, was the removal of the need to apportion the infringer's profits between the patented design and the article bearing the design. Although Nike argues that the 1946 Act should be read to have eliminated the marking requirement for design patents, the 1946 Act does not mention design patents and does not mention marking. We discern no basis for the theory that the marking requirement for design patents was cancelled in 1946.

With the 1952 codification of the patent law into Title 35, the general damages provision appears at §284 and the additional provision for design patents appears at §289. Section 284 as written did not state the 1946 Act's concept of recovering profits as an element of general damages, a purported ambiguity that was clarified in Aro Mfg. Co. v. Convertible Top Co., 377 U.S. 476, 507, 141 USPQ 681, 694 (1964). The Court interpreted §284 as meaning

that only the patentee's losses can be recovered, "without regard to the question whether the defendant has gained or lost by his unlawful acts," thus removing the equitable remedy of the infringer's profits from recovery under §284. Although this case clarified the measure of recovery for infringement, it did not deal with patent marking requirements.

The 1887 provisions affording recovery of infringers' profits for design patent infringement were separately codified at §289. Relevant to the marking issue, the phrase "knowing that the same has been so applied" of the 1887 Act was omitted from §289. P.J. Federico, in his Commentary on the New Patent Act (1954), reprinted in 75 J. Pat. Trademark Off. Soc'y 161 (Mar. 1993), acknowledged the omission but offered no explanation:

> Section 289, providing an additional remedy for infringement of design patents, is a consolidation of two sections of the old statute with some revision in language. While the Revision Notes merely state that language has been changed, the phrase "knowing that the same has been so applied" which appeared in the old statute has been omitted.

Id. at 203.

Thus the statutory record shows the origins in law and equity of remedy for patent infringement, initially and until 1887 without distinction between utility and design patents. Recovery of the infringer's profit was available for both utility and design patent infringement. The additional remedy created in 1887 for design patents was enacted to overcome the allocation problem for designs, and did not deplete the remedies available for either utility or design patent infringement. Further, the general damages statutes, which

authorized recovery of the infringer's profits as well as the patentee's losses, continued in effect for both utility and design patents. Indeed, whether it was the 1946 or 1952 Act or the decision in Aro Manufacturing that eliminated recovery of infringer's profits in utility patent infringement, this remedy for design patents was unaffected.

This statutory context must be compared with the statutes concerning patent marking, for the marking statutes underwent an independent evolution leading to the anomaly we today observe, where the word "damages" has different meanings in different provisions of Title 35.

B

The Marking Statutes

The marking statute serves three related purposes: 1) helping to avoid innocent infringement, see Wine Ry. Appliance Co. v. Enterprise Ry. Equip. Co., 297 U.S. 387, 395, 28 USPQ 299, 300 (1936); Motorola, Inc. v. United States, 729F.2d 765, 772, 221 USPQ 297, 302 (Fed. Cir. 1984); 2) encouraging patentees to give notice to the public that the article is patented, see Amsted Industries v. Buckeye Steel Castings, 24 F.3d 178, 185, 30 USPQ2d 1462, 1468 (Fed. Cir. 1994); American Medical Systems v. Medical Eng'g Corp., 6 F.3d 1523, 1537, 28 USPQ2d 1321, 1331 (Fed. Cir. 1993); and 3) aiding the public to identify whether an article is patented, see Bonito Boats Inc. v. Thunder Craft Boats Inc., 489 U.S. 141, 162, 9 USPQ2d 1847, 1856 (1989).

The early patent statutes contained no marking requirement. As explained in Boyden v. Burke, 55 U.S. (14 How.) 575, 582-83

(1853), patents were public records and all persons were "bound to take notice of their contents." A duty to mark was imposed by the Patent Act of 1842, which required "all patentees and assignees of patents . . . to stamp . . . on each article vended, or offered for sale, the date of the patent." Act of 1842, 5 Stat. 543, 544. If the patentee failed to mark each article, the penalty was a fine of "not less than one hundred dollars." Id. In 1861 the statute was amended to delete the statutory penalty, and instead to place a limitation on the patentee's right to recover for infringement. The Patent Act of 1861, 12 Stat. 246, 249, provided that "no damage shall be recovered by the plaintiff" unless that person marked the article as patented or the infringer received actual notice of the patent.

The marking provision has not been substantially changed since 1861. The 1870 Act, 16 Stat. 198-217, provided that "in any suit for infringement, by the party failing so to mark, no damages shall be recovered by the plaintiff." The 1927 Act, 44 Stat. 1058, provided that "in any suit for infringement by the party failing so to mark, no damages shall be recovered by the plaintiff." The 1952 Act, 35 U.S.C. §287(a), provides that "[i]n the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement." These provisions remained constant through the various changes in remedy for patent infringement outlined supra, including the consolidations of legal and equitable relief, the provision for recovery in the same action of the infringer's profits and the patentee's losses, the 1887 special remedy for design patent infringement, and the 1952 codification.

In cases decided around the time of enactment of the 1861 marking statute, the Supreme Court and other courts used the word "damage" or "damages" to encompass the patentee's monetary recovery whether it was derived from the infringer's profits or the

patentee's losses. For example, in 1857 the Court, reviewing a bill in equity, used "profits" to define "damages," describing the rule as "the amount of profits received by the unlawful use of the machines, as this, in general, is the damage done to the owner of the patent." Dean v. Mason, 61 U.S. 198, 203 (1857).

After the marking Act of 1861 the courts generally used the word "damages" in the broad sense of monetary recovery for infringement, whether the amount was measured by the infringer's profit or the patentee's loss. For example, in Mowry v. Whitney, 81 U.S. 620, 653 (1871) the Court referred to the infringer's profits as "the measure of [the patentee's] damages." In Birdsall, 93 U.S. at 69, the Court stated that after the Act of 1870 the infringer's profits were "still the proper measure of damages" in equity suits.

Judicial interpretation has been quite consistent over the decades, the great weight of authority holding that the marking statute applies to actions for recovery of the infringer's profits. See, e.g., Horvath v. McCord Radiator & Mfg. Co., 100 F.2d 326, 337 (6th Cir. 1938) (no action for an accounting of profits unless the plaintiff marks or gives actual notice); O'Nate v. Bahr, 67 F.2d 180, 182, 18 USPQ 293, 296 (9th Cir. 1933) (notice is required to recover "damages or profits"); Van Meter v. United States, 47 F.2d 192, 196, 8 USPQ 516, 520 (2d Cir. 1931) (failure to mark precludes recovery of infringer's profits prior to actual notice); Franklin Brass Foundry Co. v. Shapiro & Aronson, Inc., 278 F. 435, 442 (3d Cir. 1921) ("no escape from the conclusion that the word 'damages,' as used in R.S. Sec. 4900 [the marking statute], includes profits"); Gibson v. American Graphophone Co., 234 F. 633, 635 (2d Cir. 1916) (recovery by accounting for profits limited to acts of infringement after notice is given); American Caramel Co. v. White, 234 F. 328, 333 (7th Cir. 1915) (same); Lichtenstein v. Phipps, 168 F. 61, 62 (2d

Cir. 1909) (proof of notice required "to entitle [patentee] to recover damages, profits, or statutory penalty.") In 1922 the Eighth Circuit conducted an exhaustive review of Supreme Court and lower court case law, and concluded:

> [T]he great weight of authority by expressed holding and by inferences from judicial language is that the term 'damages' in section 4900 [the marking statute] is used in its general sense and includes profits as a measure of damages. There are so many cases to this effect and it may accurately be said that their weight is overwhelming as compared with those to the contrary.

Flat Slab Patents Co. v. Turner, 285 F. 257, 269 (8th Cir. 1922). We concur in the analysis that the courts have not distinguished between remedies in requiring either actual or constructive notice, whether the proposed remedy is the infringer's profits or the patentee's losses. Precedent and the marking statutes have used the term "damages" to encompass both sources of recovery. The widespread contemporary use of the word "damages" to mean the monetary recovery from infringement demands the conclusion that Congress did not limit the marking statutes to recovery measured only by the patentee's losses. See United States v. Wells, 117 S. Ct. 921, 929 (1997) (Congress expects its statutes to be read in conformity with Supreme Court precedent). Case law and the statutory provisions for marking have changed very little since the marking Act of 1861. This constancy has been preserved, independent of the legislative and judicial changes in remedies for infringement.

The independent development of infringement remedies and the marking statute has produced this rare example wherein a term

has a different scope in different provisions of a now-consolidated statute. In the 1952 Act, as in previous marking re-enactments, the case law requirement of marking in connection with an accounting for profits, e.g., in Dean v. Mason, Mowry v. Whitney, and Birdsall v. Coolidge, was neither revoked nor discussed. "Since we must recognize that the Congress was fully aware of judicial constructions of a prior statute during the enactment of subsequent legislation encompassing that prior statute, our interpretation of the subsequent legislation must include the prior judicial constructions unless they were explicitly revoked by Congress." Motorola, Inc. v. United States, 729 F.2d 765, 770, 221 USPQ 297, 301 (Fed. Cir. 1984) (citing Blake v. McKim, 103 U.S. 336, 339 (1881)).

The conclusion that the marking statute with its use of the word "damages" applies broadly to include recovery of the infringer's profits under the special provision for design patent infringement is strongly reinforced by historical expressions of congressional concern about notice for design patent infringement. The Act of 1887 was accompanied by assurances that the infringer would not be liable if he did not know that the design was patented. The statute imposed liability only upon a person who acts "knowing that the [design] has been so applied" without authority. Act of 1887, 24 Stat. 387-88. The House Report explained that "an innocent dealer or user is not affected." H.R. Rep. No. 1966 at 4 (1886). The floor debate in 1887 was to similar effect. See 18 Cong. Rec. 835 (1887) (statement of Rep. Butterworth: "[N]o man will suffer either penalty or damage unless he willfully appropriates the property of another.") In Dunlap v. Schofield, 152 U.S. 244 (1894) the Court reversed an award of the statutory penalty of $250 because the owner of the design patent failed to prove that the design was copied by the alleged infringer "knowing that the same has been

so applied." The Court held that the phrase "knowing that the same has been so applied" in the Act of 1887 was "equivalent to saying 'with a knowledge of the patent and of his infringement.'" Id. at 248-50.

With such steady emphasis on knowledge of or notice of the patent, as a matter of fairness, we doubt that both actual and constructive notice were silently abandoned, either by Congress or the courts, as applied to §289 and design patents. Although in the 1952 codification the phrase "knowing that the same has been so applied" was omitted in writing §289, that omission is explicable only on the ground of redundancy with the marking statute codified at §287. To view it otherwise would be to accept that a major substantive change was made in silence or by implication. Congress and the draftsmen of the 1952 Act can not have intended to eliminate both actual and constructive notice from liability under §289, after a century of legislative concern about notice. Commentators are in agreement. Professor Chisum states that although some trial courts have varied in their view of whether "profits" under §289 are "damages" within the meaning of §287(a), most courts have held that "damages" as used in the marking statute includes "profits." 7 D. Chisum, Patents §20.03[7] at 20-530 (Rel. 46, 1993).

Nike stresses this court's decision in Braun, wherein the court held that the provision for enhancement of "damages" of §284 does not authorize enhancement of profits recovered under §289. Section 284 states that a patentee may recover "damages adequate to compensate for the infringement" which "the court may increase . . . up to three times." However, the decision in Braun was based not on drawing a rigorous distinction between "damages" and "profits," but on the provision of §289 that bars the design patentee, upon recovering the infringer's profits, from "twice recover[ing] the

profit made from the infringement." Nike argues that in view of Braun a ruling that §287(a) controls a recovery under §289 would give the term "damages" different meanings in two different provisions of Title 35. Nike points to the anomaly if the "damages" provision of §287(a) is held to embrace profits and thus to require marking for recovery under §289, while the treble "damages" provision of §284 under Braun does not apply to recovery of profits under §289. We agree that the result is anomalous. However, Braun relates to multiplied recovery, not to notice, and is distinguishable.

As between §284 and §287(a), the usage of "damages" is readily understood in light of history. Although there is a natural presumption that identical words used in different parts of the same act are intended to have the same meaning, "[i]t is not unusual for the same word to be used with different meanings in the same act, and there is no rule of statutory construction which precludes the courts from giving to the word the meaning which the Legislature intended it should have in each instance." Atlantic Cleaners & Dyers, Inc. v. United States, 286 U.S. 427, 433 (1932); accord NationsBank of North Carolina v. Variable Annuity Life Ins. Co., 513 U.S. 251, 261 (1995) ("meaning [of words] well may vary to meet the purposes of the law"); District of Columbia v. Carter, 409 U.S. 418, 421 (1972) (same). In Franklin Brass, the Third Circuit, in holding that the marking statute limited a recovery of infringer's profits, noted this anomaly in its interpretation of the predecessors to §§284 and 287(a):

> [I]f the use of the word "damages" in section 38 [the marking statute] and again in section 55 [the general damages provision] gives rise to a presumption that the word is used in the same sense in each section, that presumption is more than

> overcome by the history of the two sections and the decisions of the Supreme Court.

278 F. at 442. Should this court now limit the word "damages" in the marking statute to a compensatory recovery at law, we ignore the history of marking as applied to recovery of profits in equity, and negate the purpose of the marking statute, i.e., to give notice and thus to prevent innocent infringement, see Wine Railway, 297 U.S. at 395, 28 USPQ at 300. Indeed, a general principle of the common law is that although there may be liability without actual or constructive notice of adverse rights, damages therefor are rarely greater than nominal. Statute and precedent have shown concern for the principles of fairness that underlie this principle.

Upon review of statute, legislative history, policy, and precedent, we conclude that the marking requirement, §287(a), applies to design patents whether remedy for infringement is sought under §284 or §289.

II

COMPLIANCE

It remains to be determined whether Nike complied with the marking statute. The patentee bears the burden of proving compliance by a preponderance of evidence. The district court held that marking was not required, and did not review the evidence or resolve disputed facts.

The appellants direct attention to the district court's reference to "marking" in its analysis of willfulness of the infringement, the court finding that "[t]he shoes of which Wal-Mart

was aware, it should be noted, were unmarked with any patent number." Nike, 41 USPQ2d at 1149. However, the issue of willfulness turns on the actual knowledge of the infringer, and is unrelated to the adequacy of constructive notice by the patentee. In determining whether the patentee marked its products sufficiently to comply with the constructive notice requirement, the focus is not on what the infringer actually knew, but on whether the patentee's actions were sufficient, in the circumstances, to provide notice in rem. See Amsted Industries v. Buckeye Steel Castings, 24 F.3d 178, 187, 30 USPQ2d 1462, 1469 (Fed. Cir. 1994) ("The correct approach to determining notice under section 287 must focus on the action of the patentee, not the knowledge or understanding of the infringer."); American Medical Systems v. Medical Eng'g Corp., 6 F.3d 1523, 1537, 28 USPQ2d 1321, 1331 (Fed. Cir. 1993) (it is not the number of articles seen by the defendant that controls the issue of marking, but whether the patentee performed his or her statutory duty).

In American Medical the court held that full compliance with the marking statute was not achieved until the patentee "consistently marked substantially all" of the patented products, and was no longer distributing unmarked products. 6 F.3d at 1538, 28 USPQ2d at 1332. In order to satisfy the constructive notice provision of the marking statute, Nike must have shown that substantially all of the Air Mada Mid shoes being distributed were marked, and that once marking was begun, the marking was substantially consistent and continuous.

Nike states that all Air Mada Mid shoes produced in all factories after December 1, 1994 bore tongue labels (labels showing patent numbers, country of origin, manufacturing codes, etc.) with the D'765 patent number. Nike states that fashion sneakers move

rapidly through the retail chain, and that substantially all unmarked Air Mada Mid shoes were replaced on the shelves by marked Air Mada Mid shoes by the time of infringement. Nike states that as of March 1, 1995, 96.6% of the Air Mada Mid shoes distributed by Nike to its retail customers in the U.S. were marked. Hawe Yue's first shipment to Wal-Mart was in April 1995 and Wal-Mart's first retail sales in May 1995. Nike argues that even if a few unmarked shoes could later be found in outlet stores and distribution centers, this residue of its early production does not negate its full compliance with the marking statute before the infringement began.

The appellants state that Nike continued to distribute unmarked shoes in the United States and to sell unmarked shoes from its outlet stores, even after suit was filed. According to the appellants, Nike failed to request marking for 13 models of shoes covered by the D'765 patent. The appellants dispute Nike's 96.6% figure and state that Nike can not prove its assertions concerning marking because the supporting documents had been routinely destroyed during Nike's document retention program.

On these disputed allegations we can not decide, ab initio on appeal, whether Nike met its burden of showing, by a preponderance of the evidence, that it complied with the marking statute, or when that compliance was achieved. See Maxwell v. J. Baker, Inc., 86 F.3d 1098, 1111, 39 USPQ2d 1001, 1010 (Fed. Cir. 1996) (compliance with the marking statute is a question of fact, and the burden of proving compliance with the marking statute is upon the patentee). We remand for determination of this question by the district court.

III
Accounting
A

Wal-Mart and Hawe Yue challenge the accounting method adopted by the district court. We review whether the district court's methodology was an abuse of discretion and whether the district court's factual findings were clearly erroneous. See King Instruments Corp. v. Perego, 65 F.3d 941, 952, 36 USPQ2d 1129, 1137 (Fed. Cir. 1995).

The parties stipulated to the dollar amount Wal-Mart and Hawe Yue generated from sales of the infringing shoes. It was agreed that Wal-Mart and Hawe Yue had the burden of proving costs deductible from revenues in arriving at a profit figure. Their expert produced a report, but the district court excluded it because of the timing of its production to Nike. The district court adopted the general methodology of Nike's expert, but deducted certain cost items that Nike's expert stated should not be deducted. Specifically, the court subtracted from Wal-Mart's revenue the direct cost of freight-in and the indirect costs of customer returns, shrinkage, and attributable indirect expenses.

Wal-Mart argues that the district court should have credited it with additional costs. Specifically, Wal-Mart asserts that its shoe division "Profit and Loss" statements were the best evidence of costs. The district court stated that "were these statements supported by any documentary evidence or disclosure, they would be relevant," but that Wal-Mart had declined to produce such evidence. The district court did not clearly err in its findings that Wal-Mart had proved some direct and indirect costs, and had failed to prove others.

In computing Hawe Yue's profits, the district court subtracted from revenue certain commissions and royalties as costs. However, the district court refused to deduct Hawe Yue's claimed overhead expenses, because Hawe Yue failed to present any supporting evidence. Hawe Yue sought to deduct these expenses on a pro rata basis as a percentage of pairs sold, but did not produce the actual business records that Hawe Yue used to compute the ratio of infringing pairs to total pairs of shoes sold during the relevant period. The district court's finding that Hawe Yue failed to prove its overhead expenses was not clearly erroneous.

We have not been shown reversible error in the court's methodology in calculating either Wal-Mart's or Hawe Yue's profits.

B

The parties disagree as to whether the award should be based on pre-tax profits or post-tax profits. The district court cited conflicting opinions of circuit courts, and awarded Nike pre-tax profits.

The appellants state that they should be required to pay only their post-tax profits, citing In Design v. K-Mart Apparel Corp., 13 F.3d 559, 29 USPQ2d 1356 (2d Cir. 1994), a copyright case, for the proposition that for a nonwillful infringer the award should be based on post-tax profits.

Nike argues that the award should be based on pre-tax profits, citing Schnadig Corp. v. Gaines Mfg. Co., 620 F.2d 1166, 1169-71, 206 USPQ 202, 207-09 (6th Cir. 1980), a §289 case; and Kalman v. Berlyn Corp., 914 F.2d 1473, 1482-83, 16 USPQ2d 1093, 1102 (Fed. Cir. 1990), a case involving a §284 lost profits calculation. Nike points out that an award of only the infringers'

post-tax profits would leave the appellants in possession of their tax refunds, and that if the appellants still enjoy a profit the award can not be their "total profits" as mandated by the statute. See Hanover Shoe, Inc. v. United Shoe Mach. Corp., 392 U.S. 481, 503 (1968); Kalman, 914 F.2d at 1482-83, 16 USPQ2d at 1102 (citing Hanover Shoe). The district court agreed with that position, as do we. The statute requires the disgorgement of the infringers' profits to the patent holder, such that the infringers retain no profit from their wrong.

IV
SUMMARY

We reverse the district court's ruling that the marking statute does not apply to recovery for design patent infringement under §289, and remand for determination of whether Nike in fact complied with the marking requirement. We affirm the district court's methodology on the accounting issues.

Costs

No costs.

AFFIRMED IN PART, REVERSED IN PART AND REMANDED

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

NIKE, INC.,	)	
	)	
Plaintiff,	)	
	)	CIVIL ACTION NO. 96-38-A
v.	)	
	)	
WAL-MART STORES, INC.,	)	
et al.,	)	
	)	
Defendants.	)	

MEMORANDUM OPINION

This action is a patent case in which the plaintiff, Nike, Inc. ("Nike"), seeks profits pursuant to 35 U.S.C. § 289 (1984) from the defendants, Wal-Mart Stores, Inc. ("Wal-Mart") and Hawe Yue, Inc. ("HYI"), who have infringed Nike's patented shoe design. The court has previously ruled that the patent is valid and has been infringed. The parties have stipulated to the total sales of the infringing shoes.

At the bench trial conducted on October 28-29, 1996, the issues presented were:

1. Whether the infringing acts of the defendants were wilful.
2. Whether the marking statute, 35 U.S.C. § 287(a) (Supp. 1996), applies to a § 289

action for profits, and if it does, to what extent, if any, the statute limits Nike's recovery.

3. What costs should be deducted from the sales to arrive at the defendants' total profits, and as a related question, whether the total profits should be pre-tax profits.

Decision was reserved to allow the parties to submit post trial briefs and to allow the court time to read the submitted deposition excerpts and summaries. These have now been accomplished. In addition, the court will rule on certain objections to exhibits.

Exhibits

The defendants have objected to plaintiff's exhibits 107, 108, 109, 110, 111, 112, 113, 162, 163 and 164. Exhibits 107 through 113 are letters from counsel and, although some of the matters discussed in them have been resolved by stipulation, may be relevant to the issues of disclosures made by the defendants and the timeliness of such disclosures. They will be admitted and the objections to them are overruled. Exhibits 162 through 164 consist of correspondence with the magistrate judge and motions to compel or preclude evidence at trial. They also may be relevant to the conduct of the defendant during discovery, although some of the matters, e.g., preclusion of evidence at trial, were ruled on by the court at trial. The exhibits will be admitted, and the objections to them are overruled.

The plaintiff objected to defendants' exhibits 98, 99, the first and last pages of 155, 159 through 162, 163 through 166, 168-171 and 178-180. Exhibits 178-180 were conditionally objected to, the

condition being that if the correspondence included in the objectionable exhibits of the plaintiff were admitted, the objection to exhibits 178-180 would be withdrawn. The objections are considered to be withdrawn.

Defendants' exhibits 98 and 99 are the same as the first and last pages of exhibit 155. Although exhibit 98 and the first page of exhibit 155 were identified by the witness To, and indeed attest to no more than was stipulated, at least as to totals, exhibits 99 and the last page of exhibit 155 were neither identified nor referred to during testimony. The objections to exhibits 98 and the first page of exhibit 155 are overruled. The objection to exhibit 99 and the last page of exhibit 155 are sustained.

The objections to defendants' exhibits 159 through 162 will be sustained. These exhibits were not referred to nor authenticated during the testimony.

The objections to defendants' demonstrative exhibits 168-171 are sustained. Not only were they not timely listed as exhibits, they were not referred to during trial. This omission is probably because they would have been used to support the part of the testimony of defendants' expert witness Kupperberg that the court had ruled inadmissible.

The objection to defendants' exhibits 163 through 165, which are profit and loss statements of HYI and Wal-Mart, is that they were not timely filed or produced. The objections are overruled. No prejudice can be shown for the lateness of their revelation. Exhibit 165, the small business financial studies, is objected to because it was not among the working papers Kupperberg had before him at the deposition. The objection is overruled.

Wilfulness

There is no evidence that either defendant had knowledge of the patent prior to its receipt of the January 18, 1996 letter from Nike's counsel (DX 47) enclosing a copy of a complaint for infringement. HYI had stopped shipping any accused shoes as early as November, 1995. Clearly HYI cannot be found to have acted wilfully.

After the suit was filed, Wal-Mart employed experienced and competent attorneys to defend it. It had no occasion prior to that time to obtain an opinion of counsel because it was not aware of the patent. After suit was filed on January 18, 1996, the court ruled that there was infringement of the patent as a matter of law on June 7, 1996, and that the patent was valid as against a claim of obviousness on September 27, 1996. There is no evidence that, in contesting these rulings, counsel for the defendants, or the defendants themselves, were not acting in good faith or that the challenges to infringement and validity were spurious or not grounded on arguably meritorious bases. The oppositions to the plaintiff's motions that culminated in the rulings belie this. That the defendants were unsuccessful in opposing the motions does not establish that a defendant was wilful even though it continued to sell the product after the suit was filed. Gustafson, Inc. v. Intersystems Indus. Products, Inc., 897 F.2d 508, 511 (Fed. Cir. 1990). The finding of wilfulness ultimately depends upon a finding of the defendant's intent. The case of Del Mar Avionics, Inc. v. Quinton Instrument Co., 836 F.2d 1320 (Fed. Cir. 1987), held no more than that it was not an abuse of the trial court's discretion to find that an infringer who continued to manufacture and sell from the first notice of infringement through the third notice and after suit was filed and without consulting an attorney or procuring a patent search, acted

wilfully. Here, the first notice to Wal-Mart was the filing of the suit and the letter of January 18, 1996, both on the same date. There is no persuasive evidence that the defendants intentionally copied the Nike product despite the reference to the infringing shoes as Air Madas. The shoes of which Wal-Mart was aware, it should be noted, were unmarked with any patent number.

The court finds that Wal-Mart did not wilfully infringe the Nike patent.

Marking

The statute that limits recovery in cases where there is no marking refers only to damages. Historically, of course, disgorgement, which is really what the plaintiff seeks in its actions for the infringers' profits, was not considered a recovery of damages, but an equitable remedy to restore to the proper owner profits made by an infringer's use of another's property. The most persuasive case that has been brought to the court's attention which specifically addresses whether the statute is applicable to a § 289 action is Churchward Int'l Steel Co. v. Bethlehem Steel Co., 262 F. 438 (E.D. Pa. 1919), rev'd on other grounds, 268 F. 361 (3d Cir. 1920), cert. denied, 255 U.S. 572 (1921) which held that it was not applicable. In Kilgore Mfg. Co. v. Triumph Explosives, Inc., 37 F. Supp. 766, 777 (D. Md. 1941), modified, 128 F.2d 444 (4th Cir. 1942), cert. denied, 317 U.S. 660 (1942), relied upon by the defendants the court felt constrained by other precedent. This court does not agree. The decisions in Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476, 505-507 (1964) and Braun Inc. v. Dynamics Corp. of America, 975 F.2d 815, 824 (Fed. Cir. 1992) are instructive in their reminders of the "longstanding" and "important" distinction in patent law between damages and profits.

Congress is assumed to have meant what it said, and the court concludes that the limitations imposed by § 287(a) are not applicable to an action seeking recovery of an infringer's profits pursuant to § 289.

Profits

The parties stipulated to the amount of sales of shoes in pairs and the dollar amounts the defendants generated from selling the infringing shoes. That stipulation was as follows:

HYI sold 599,370 pairs for $8,629,312

Wal-Mart sold 520,981 pairs for $14,379,248

Mr. Troxel, Nike's expert, used as his methodology a deduction from the gross sales of related costs which the defendants incurred based on the percentages of shoes sold, i.e. the related costs are multiplied by a factor realized by dividing the total number of pairs of infringing shoes sold by the total number of pairs of shoes sold during the same period.

The court finds the methodology appropriate, despite the challenge to it on the basis of its failure to take into account the different characteristics of the shoes sold. Although the court acknowledges that there may be some such differences, in the absence of some data from the defendants quantifying the cost differences attributable to the different characteristics, Troxel's methodology, which assumes that the costs to sell a pair of shoes is roughly the same regardless of the price and size of the shoe, is appropriate. The extreme posited on cross examination of the cost of shipping and handling of a group of "flip-flops" as compared with a box or carton containing only shoes such as the infringing ones, is unpersuasive in light of the absence of any proof that such a hypothetical event ever occurred or what the cost would be if it did.

There was no evidence of a better methodology; however, in fairness to the defendants' expert, Mr. Kupperbert, the court notes that it excluded his report based on an alternative methodology because of the timing of its production to the plaintiff.

The court adopts Troxel's methodology, but finds that certain items that he excluded as costs should have been included.

Troxel excluded certain items because he felt that insufficient data was presented to support the cost as one attributable to the infringing product, although he conceded that if there had been such data, some would have supported a deduction. Troxel's exclusion of indirect costs occupied a significant amount of trial time; however, the defendant has now withdrawn its claim for allocation of general corporate overhead as an item of its costs. Despite this withdrawal, Wal-mart continues its challenge to Troxel's methodology and asserts, as it did at trial, that Wal-Mart's shoe division Profit and Loss statements (DX100) are the best evidence of costs. The court agrees that were these statements supported by any documentary evidence or disclosure they would be relevant; however these were not forthcoming. The bare statements themselves together with the testimony of Kupperberg and Paula Hutchison are not as persuasive as the testimony of Troxel.

The court finds, however, that there should be added to Wal-Mart's costs freight-in ($220,533), customer returns ($262,492) and shrinkage ($61,765).

The calculation of Wal-Mart's profits is accordingly as follows:

Sales	$14,379,248
Direct Costs:	
Cost of shoes sold	$7,501,129
Freight-In	220,533

Indirect costs and expenses:	
Customer returns	262,492
Shrinkage	61,765
Attributable indirect expenses	673,741[1]
Total costs and expenses	8,719,660
Wal-Mart profits	$ 5,659,588

The foregoing result is a margin of profit that is probably more than is reasonable when compared with the low profits normally made in the high volume discount retail shoe business. Defendants complain of this, asserting that the plaintiff's claims of profits fail the "reality test". Perhaps, but the information necessary to portray more accurately their net profits was in the hands of the defendants. It was their burden to establish the costs which would truly reflect their net profit. It is their failure to meet this burden that has caused any failure of a "reality test", not over-claiming by the plaintiff.

As to HYI:

The commissions paid to Allied will be allowed. The evidence of an intercorporate relationship between HYI and Allied is a Dun & Bradstreet report (PX166) and the financial statement of HYI (DX90). In the court's view, these do not overcome the live testimony that the commissions paid are the result of arms-length

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[1] Were all of Wal-Mart's corporate overhead expenses allocated by Troxel, that figure would be increased to $963,765.

negotiations. They are properly a cost of sales of the infringing shoes.

Similarly, the 12% royalty paid to Wolverine for the use of the Coleman name is a deductible cost. This had to be paid in order for HYI to sell the shoes.

The additional $330,780 in claimed allocated overhead expenses is arrived at by using the 16% that the accused shoes represented of the total HYI shoes sold during the relevant period. No underlying documents supporting this calculation were presented and this cost will not be allowed.

The calculation of HYI's total profits from the infringing shoes is as follows:

Sales	$8,629,312
Direct costs (excluding royalties and commissions)	$7,013,555
Royalties	656,000
Commissions	587,604
HYI profits	$ 372,153

Taxes

In determining the total profits of the defendants, an issue in the case is whether those profits should be calculated so as to reflect a deduction for income taxes paid. Nike asserts that the proper measure of total profits under § 289 is on a pre-tax basis. The defendants rely on In Design v. K-Mart Apparel Corp., 13 F.3d 559 (2nd Cir. 1994) for the proposition that income taxes are to be deducted in arriving at total profit. Although it is a copyright case, the court finds its reasoning persuasive. Nevertheless, the Federal Circuit, controlling authority for this court in patent cases, seems to

have put the matter to rest in Kalman v. Berlyn Corp., 914 F.2d 1473, 1482-83 (Fed. Cir. 1990), which although not a § 289 case, clearly holds that in determining whether income taxes should be deductible, the consequences of such a deduction are to be considered. Of course, as demonstrated in plaintiff's exhibit 160, the consequences of allowing a deduction for income taxes would result in Nike having less income than if the profits had not been wrongfully received by the defendant. See id.; Hanover Shoe, Inc. v. United Shoe Mach. Corp., 392 U.S. 481, 503 (1968). In Design rejected Schnadig Corp. v. Gaines Mfg. Co., 620 F.2d 1166 (6th Cir. 1980) and chose in part to follow Stromberg Motor Devices Co. v. Detroit Trust Co., 44 F.2d 958 (7th Cir. 1930). Schnadig was a § 289 case, and its reasoning on the question whether there should be a distinction between wilful and innocent infringers in making the determination on income tax deductibility is pertinent. It, too, relied on the consequences of tax deductibility Id. at 1169-71. Recognizing that there is a contrariety of opinion at the circuit level, the court feels bound by what it construes as Federal Circuit authority calling for profits to be determined on a pre-tax basis.

The total profits allowed here will not be reduced by income tax paid in those profits.

Exceptional case

The finding of a lack of wilfulness largely negates any finding that this is an exceptional case so as to warrant an award of attorneys' fees and costs pursuant to 35 U.S.C. § 285 (1984). Nor does the defendants' conduct in defending this lawsuit support a finding of an exceptional case. The case was not so clear cut on the issues resolved by summary judgment that defense counsel can be faulted for not conceding the issues.

This is not an exceptional case.

Pre-judgment interest

The court will exercise its discretion to deny pre-judgment interest. The plaintiff has received a full recovery, indeed, nearly all that it claimed. Its substantial recovery is in large part because the defendants have not proved or provided documentation for all of their costs. Realistically, the court is aware that despite the absence of proof, there are such costs. The plaintiff does not need pre-judgment interest to make it whole.

Alexandria, Virginia
November 18th, 1996

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

97-1173

NIKE, INC.

Plaintiff-Appellee,

v.

WAL-MART STORES, INC. and HAWE YUE, INC.,

Defendants-Appellants.

ORDER

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the APPELLEE, and a response thereto having been invited by the court and filed by the APPELLANTS and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate of the court will issue on May 14, 1998.

Dated: May 7, 1998

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

NIKE, INC.,	)	
	)	
Plaintiff,	)	
	)	CIVIL ACTION NO. 96-38-A
v.	)	
	)	
WAL-MART STORES, INC.,	)	
et al.,	)	
	)	
Defendants.	)	

ORDER

For the reasons stated from the bench which, together with the attached Findings of Fact, the court adopts as its finding of fact and conclusions of law, the court concludes that the plaintiff, Nike, Inc. has not borne its burden to prove by a preponderance of the evidence that substantially all of the Air Mada Mid Shoes being distributed were marked, and that once marking began, the marking was substantially consistent and continuous. Accordingly, it is

ORDERED that judgment is awarded in favor of the plaintiff, Nike, Inc., against the defendant, Wal-Mart Stores, Inc. in the amount of $1,413,254 plus interest at the rate of 5.49% from November 18, 1996.

Alexandria, Virginia
July 10th, 1998

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

NIKE, INC.,	)	
	)	
Plaintiff,	)	
	)	CIVIL ACTION NO. 96-38-A
v.	)	
	)	
WAL-MART STORES, INC.,	)	
et al.,	)	
	)	
Defendants.	)	

FINDINGS OF FACT

1. Nike's production cycle for the Air Mada Mid began in March 1994 and lasted a year-and-a-half. (DX44).

2. Nike began marking shoes in September 1994, at least a month-and-a-half after the patent-in-suit issued. (DX44).

3. Nike distributed at least 265,000 unmarked Air Mada Mid shoes (56% of its total production) into the stream of commerce prior to beginning marking efforts. (DX44; Tr. 86-88, 108-109).

4. Nike did not arrive at full marking at the manufacturing level until December 1994, at which time only nine purchase orders, accounting for a mere 15% of the total production, remained in the Air Mada Mid production cycle. (DX44).

5. If all of the shoes in a purchase order were marked in the same way as any returned shoes retrieved from that order (i.e., all marked or all unmarked based on the marking of any retrieved shoe(s)), the returns analysis shows that Nike distributed 70,624 unmarked shoes after the patent-in-suit issued. (DX44; PX77; PX70). These 70,624 pairs represented approximately 34% of the total number of shoes produced after the patent-in-suit issued. (DX44). These pairs are in addition to the 265,000 shoes Nike already admits it did not mark, bringing the total of Air Mada Mids that Nike's own evidence proves it did not mark to approximately 336,000 (of 475,000 total distributed) -- i.e., 70% of the Air Mada Mids.

6. The total of the shoes Mr. Potter analyzed and the sum total of Nike's proof on marking are the 202 Air Mada Mid shoes (out of approximately 475,000 distributed) -- i.e., approximately for-one-hundred-thousandths of one percent of the 208,692 shoes produced after the patent-in-suit issued. (DX44; PX77). For many of the purchase orders, Mr. Potter based his finding that thousands of shoes were marked on the retrieval of one or two marked shoes. (PX77).

7. Once shoes arrived at Nike's warehouses, they were repackaged and distributed to retailers. (Tr. 47-48). At no time did Nike attempt to mark the shoes in this repackaging state. (Tr. 47-48).

8. Nike redistributed shoes returned to stock without making any effort to determine whether they were unmarked or to mark them. (Tr. 123-24).

9. Unmarked shoes purchased at retail by HYI employees after this lawsuit was filed were manufactured before

December 1994. (Plaintiff's Brief at 12; Tr. 325-32, 351-57, DX53, 55, 174-177).

10. Nike would be made whole if it received interest for the period following the initial judgment up to the date of entry of the final judgment in this action at 5.49%, the statutory post-judgment interest rate in effect on November 18, 1996.

Alexandria, Virginia
July 10th, 1998

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

97-1523

NIKE, INC.

Plaintiff-Appellant,

v.

WAL-MART STORES, INC. and HAWE YUE, INC.,

Defendants-Appellees.

JUDGMENT

ON APPEAL from the UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA

In CASE NO(S). 96-CV-38

This CAUSE having been heard and considered, it is
ORDERED and ADJUDGED:

Per Curiam: (MAYER, Chief Judge, NEWMAN and PLAGER, Circuit Judges):

AFFIRMED. See Fed. Cir. R. 36.

Dated: March 5, 1999

Patent Damages Statute
35 U.S.C. § 284 (1994).

§ 284 Damages

Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.

When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed.

The court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.

Precursor of Patent Damages Statute
35 U.S.C. § 67 (1946)
(Act of July 8, 1870, ch. 230, § 59, 16 Stat. 207 (1946))

§ 67. Infringement of patent; damages for.

Damages for the infringement of any patent may be recovered by action on the case, in the name of the party interested, either as patentee, assignee, or grantee. And whenever in any such action a verdict is rendered for the plaintiff, the court may enter judgment thereon for any sum above the amount found by the verdict as the actual damages sustained, according to the circumstances of the case, not exceeding three times the amount of such verdict, together with the costs.

Precursor of Patent Damages Statute
35 U.S.C. § 70 (1946)
(Act of Aug. 1, 1946, ch. 726, § 1, 60 Stat. 778 (1946))

§ 70. Power of court to grant injunctions; recovery of general damages; assessment; elements of general damages; increase of damages; limitations; notice to Commissioner of suits and judgments rendered.

The several courts vested with jurisdiction of cases arising under the patent laws shall have power to grant injunctions according to the course and principles of courts of equity, to prevent the violation of any right secured by patent, on such terms as the court may deem reasonable; and upon a judgment being rendered in any case for an infringement the complainant shall be entitled to recover general damages which shall be due compensation for making, using, or selling the invention, not less than a reasonable royalty therefor, together with such costs, and interest, as may be fixed by the court. The court may in its discretion award reasonable attorney's fees to the prevailing party upon the entry of judgment on any patent case.

The court is authorized to receive expert or opinion evidence upon which to determine in conjunction with any other evidence in the record, due compensation for making, using, or selling the invention, and such expert or opinion evidence is declared to be competent and admissible subject to the general rules of evidence applicable thereto.

The court shall assess said damages, or cause the same to be assessed, under its direction and shall have the same power to increase the assessed damages, in its discretion, as is given to increase the damages found by verdicts in actions in the nature of actions of trespass upon the case; but recovery shall not be had for any infringement committed more than six years prior to the filing of the complaint in the action. And it shall be the duty of the clerks of such courts within one month after the filing of any action, suit, or proceeding arising under the patent laws to give notice thereof in writing to the Commissioner of Patents, setting forth in order so far as known the names and addresses of the litigants, names of the inventors, and the designating number or numbers of the patent or patents upon which the action, suit, or proceeding has been brought, and in the event any other patent or patents be subsequently included in the action, suit, or proceeding by amendment, answer, cross bill, or other pleading, the clerk shall give like notice thereof to the Commissioner of Patents, and within one month after the decision is rendered or a judgment issued the clerk of the court shall give notice thereof to the Commissioner of Patents, and it shall be the duty of the Commissioner of Patents on receipt of such notice forthwith to endorse the same upon the file wrapper of the said patent or patents, and to incorporate the same as a part of the contents of said file or file wrapper.

Precursor of Patent Damages Statute
R.S. § 4921, (1922)
(Act of February 18, 1922, ch. 58, § 8, 42 Stat. 389, 392 (1922))

SEC. 4921. The several courts vested with jurisdiction of cases arising under the patent laws shall have power to grant injunctions according to the course and principles of courts of equity, to prevent the violation of any right secured by patent, on such terms as the court may deem reasonable; and upon a decree being rendered in any such case for an infringement the complainant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby, and the court shall assess the same or cause the same to be assessed under its direction. If on the proofs it shall appear that the complainant has suffered damage from the infringement or that the defendant has realized profits therefrom to which the complainant is justly entitled, but that such damages or profits are not susceptible of calculation and determination with reasonable certainty, the court may, on evidence tending to establish the same, in its discretion, receive opinion or expert testimony, which is hereby declared to be competent and admissible, subject to the general rules of evidence applicable to this character of testimony; and upon such evidence and all other evidence in the record the court may adjudge and decree the payment by the defendant to the complainant of a reasonable sum as profits or general damages for the infringement: *Provided*, That this provision shall not affect pending litigation. And the court shall have the same power to increase such damages, in its discretion, as is given to increase the damages found by verdicts in actions in the nature of actions of trespass upon the case; but in any suit or action brought for the infringement of any patent

there shall be no recovery of profits or damages for any infringement committed more than six years before the filing of the bill of complaint or the issuing of the writ in such suit or action, and this provision shall apply to existing causes of action. And it shall be the duty of the clerks of such courts within one month after the filing of any action, suit, or proceeding arising under the patent laws to give notice thereof in writing to the Commissioner of Patents, setting forth in order so far as known the names and addresses of the litigants, names of the inventors, and the designating number or numbers of the patent or patents upon which the action, suit, or proceeding has been brought, and in the event any other patent or patents be subsequently included in the action, suit, or proceeding by amendment, answer, cross bill, or other pleading, the clerk shall give like notice thereof to the Commissioner of Patents, and within one month after the decision is rendered or a decree issued the clerk of the court shall give notice thereof to the Commissioner of Patents, and it shall be the duty of the Commissioner of Patents on receipt of such notice forthwith to indorse the same upon the file wrapper of the said patent or patents and to incorporate the same as a part of the contents of said file or file wrapper; and for each notice required to be furnished to the Commissioner of Patents in compliance herewith a fee of 50 cents shall be taxed by the clerk as costs of suit.

Precursor of Patent Damages Statute
R.S. § 4919 (1870)
(Act of July 8, 1870 ch. 230, § 59, 41 Stat. 198, 207 (1870))

SEC. 59. *And be it further enacted*, That damages for the infringement of any patent may be recovered by action on the case in any circuit court of the United States, or district court exercising the jurisdiction of a circuit court, or in the supreme court of the District of Columbia, or of any Territory, in the name of the party interested, either as patentee, assignee, or grantee. And whenever in any such action a verdict shall be rendered for the plaintiff, the court may enter judgment thereon for any sum above the amount found by the verdict as the actual damages sustained, according to the circumstances of the case, not exceeding three times the amount of such verdict, together with the costs.

Patent Marking Statute
35 U.S.C. § 287 (1994 & Supp. III 1997)

§ 287 Limitation on damages and other remedies; marking and notice.

(a) Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them or importing any patented article into the United States, may give notice to the public that the same is patented, either by fixing thereon the work "patent" or the abbreviation "pat.", together with the number of the patent, or when from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

(b) (1) An infringer under section 271(g) shall be subject to all the provisions of this title relating to damages and injunctions except to the extent those remedies are modified by this subsection or section 9006 of the Process Patent Amendments Act of 1988. The modifications of remedies provided in this subsection shall not be available to any person who–

(A) practiced the patented process;

(B) owns or controls, or is owned or controlled by, the person who practiced the patented process; or

(C) had knowledge before the infringement that a patented process was used to make the product the importation, use, offer for sale, or sale of which constitutes the infringement.

(2) No remedies for infringement under section 271(g) of this title shall be available with respect to any product in the possession of, or in transit to, the person subject to liability under such section before that person had notice of infringement with respect to that product. The person subject to liability shall bear the burden of proving any such possession or transit.

(3) (A)In making a determination with respect to the remedy in an action brought for infringement under section 271(g), the court shall consider–

(i) the good faith demonstrated by the defendant with respect to a request for disclosure,

(ii) the good faith demonstrated by the plaintiff with respect to a request for disclosure, and

(iii) the need to restore the exclusive rights secured by the patent.

(B) For purpose of subparagraph (A), the following are evidence of good faith:

(i) a request for disclosure made by the defendant;

(ii) a response within a reasonable time by the person receiving the request for disclosure; and

(iii) the submission of the response by the defendant to the manufacturer, or if the manufacturer is not known, to the supplier, of the product to be purchased by the defendant, together with a request for a written statement that the process claimed in any patent disclosed in the response is not used to produce such product.

The failure to perform any acts described in the preceding sentence is evidence of absence of good faith unless there are mitigating circumstances. Mitigating circumstances include the case in which, due to the nature of the product, the number of sources for the product, or like commercial circumstances, a request for disclosure is not necessary or practicable to avoid infringement.

(4) (A) For purposes of this subsection, a "request for disclosure" means a written request made to a person then engaged in the manufacture of a product to identify all process patents owned by or licensed to that person, as of the time of the request, that the person then reasonably believes could be asserted to be infringed under section 271(g) if that product were imported into, or sold, offered for sale, or used in, the United States by an unauthorized

person. A request for disclosure is further limited to a request–

(i) which is made by a person regularly engaged in the United States in the sale of the same type of products as those manufactured by the person to whom the request is directed, or which includes facts showing that the person making the request plans to engage in the sale of such products in the United States;

(ii) which is made by such person before the person's first importation, use, offer for sale, or sale of units of the product produced by an infringing process and before the person had notice of infringement with respect to the product; and

(iii) which includes a representation by the person making the request that such person will promptly submit the patents identified pursuant to the request to the manufacturer, or if the manufacturer is not known, to the supplier, of the product to be purchased by the person making the request, and will request from that manufacturer or supplier a written statement that none of the processes claimed in those patents is used in the manufacture of the product.

(B) In the case of a request for disclosure received by a person to whom a patent is licensed, that person shall either

identify the patent or promptly notify the licensor of the request for disclosure.

(C) A person who has marked, in the manner prescribed by subsection (a), the number of the process patent on all products made by the patented process which have been offered for sale or sold by that person in the United States, or imported by the person into the United States, before a request for disclosure is received is not required to respond to the request for disclosure. For purposes of the preceding sentence, the term "all products" does not include products made before the effective date of the Process Patent Amendments Act of 1988.

(5) (A) For purposes of this subsection, notice of infringement means actual knowledge, or receipt by a person of a written notification, or a combination thereof, of information sufficient to persuade a reasonable person that it is likely that a product was made by a process patented in the United States.

(B) A written notification from the patent holder charging a person with infringement shall specify the patented process alleged to have been used and the reasons for a good faith belief that such process was used. The patent holder shall include in the notification such information as is reasonably necessary to explain fairly the patent holder's belief, except that the patent holder is not required to disclose any trade secret information.

(C) A person who receives a written notification described in subparagraph (B) or a written response to a request for disclosure described in paragraph (4) shall be deemed to have notice of infringement with respect to any patent referred to in such written notification or response unless that person, absent mitigating circumstances–

(i) promptly transmits the written notification or response to the manufacturer or, if the manufacturer is not known, to the supplier, of the product purchased or to be purchased by that person; and

(ii) receives a written statement from the manufacturer or supplier which on its face sets forth a well grounded factual basis for a belief that the identified patents are not infringed.

(D) For purposes of this subsection, a person who obtains a product made by a process patented in the United States in a quantity which is abnormally large in relation to the volume of business of such person or an efficient inventory level shall be rebuttably presumed to have actual knowledge that the product was made by such patented process.

(6) A person who receives a response to a request for disclosure under this subsection shall pay to the person to whom the request was made a reasonable fee to cover actual costs incurred in complying with the request, which may not exceed the cost of a commercially available automated patent search of the matter involved, but in no case more than $500.

(c) (1) With respect to a medical practitioner's performance, of a medical activity that constitutes an infringement under section 271(a) or (b) of this title, the provisions of sections 281, 283, 284, and 285 of this title shall not apply against the medical practitioner or against a related health care entity with respect to such medical activity.

(2) For the purposes of this subsection:

(A) the term 'medical activity' means the performance of a medical or surgical procedure on a body, but shall not include (i) the use of a patented machine, manufacture, or composition of matter in violation of such patent, (ii) the practice of a patented use of a composition of matter in violation of such patent, or (iii) the practice of a process in violation of a biotechnology patent.

(B) the term 'medical practitioner' means any natural person who is licensed by a State to provide the medical activity described in subsection (c)(1) or who is acting under the direction of such person in the performance of the medical activity.

(C) the term 'related health care entity' shall mean an entity with which a medical practitioner has a professional affiliation under which the medical practitioner performs the medical activity, including but not limited to nursing home, hospital, university, medical school, health maintenance

organization, group medical practice, or a medical clinic.

(D) the term 'professional affiliation' shall mean staff privileges, medical staff membership, employment or contractual relationship, partnership or ownership interest, academic appointment, or other affiliation under which a medical practitioner provides the medical activity on behalf of, or in association with, the health care entity.

(E) the term 'body' shall mean a human body, organ or cadaver, or a nonhuman animal used in medical research or instruction directly relating to the treatment of humans.

(F) the term 'patented use of a composition of matter' does not include a claim for a method of performing a medical or surgical procedure on a body that recites the use of a composition of matter where the use of that composition of matter does not directly contribute to achievement of the objective of the claimed method.

(G) the term 'State' shall mean any state or territory of the United States, the District of Columbia, and the Commonwealth of Puerto Rico.

(3) This subsection does not apply to the activities of any person, or employee or agent of such person (regardless of

whether such person is a tax exempt organization under section 501(c) of the Internal Revenue Code), who is engaged in the commercial development, manufacture, sale, importation, or distribution of a machine, manufacture, or composition of matter or the provision of pharmacy or clinical laboratory services (other than clinical laboratory services provided in a physician's office), where such activities are:

> (A) directly related to the commercial development, manufacture, sale, importation, or distribution of a machine, manufacture, or composition of matter or the provision of pharmacy or clinical laboratory services (other than clinical laboratory services provided in a physician's office), and
>
> (B) regulated under the Federal Food, Drug, and Cosmetic Act, the Public Health Service Act, or the Clinical Laboratories Improvement Act.

(4) This subsection shall not apply to any patent issued before the date of enactment of this subsection.

Precursor of Patent Marking Statute
35 U.S.C. § 287 (1988)
(Act of Aug 23, 1988, Pub. L. 100-418, § 9004(a), 102 Stat. 1564 (1988))

§ 287 Limitation on damages and other remedies; marking and notice

(a) Patentees, and persons making, or selling any patented article for or under them may give notice to the public that the same is patented, either by fixing thereon the work "patent" or the abbreviation "pat.", together with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

(b) (1) An infringer under section 271(g) shall be subject to all the provisions of this title relating to damages and injunctions except to the extent those remedies are modified by this subsection or section 9006 of the Process Patent Amendments Act of 1988. The modifications of remedies provided in this subsection shall not be available to any person who–

(A) practiced the patented process;

(B) owns or controls, or is owned or controlled by, the person who practiced the patented process; or

(C) had knowledge before the infringement that a patented process was used to make the product the importation, use, or sale of which constitutes the infringement.

(2) No remedies for infringement under section 271(g) of this title shall be available with respect to any product in the possession of, or in transit to, the person subject to liability under such section before that person had notice of infringement with respect to that product. The person subject to liability shall bear the burden of proving any such possession or transit.

(3) (A)In making a determination with respect to the remedy in an action brought for infringement under section 271(g), the court shall consider–

(i) the good faith demonstrated by the defendant with respect to a request for disclosure,

(ii) the good faith demonstrated by the plaintiff with respect to a request for disclosure, and

(iii) the need to restore the exclusive rights secured by the patent.

(B) For purpose of subparagraph (A), the following are evidence of good faith:

(i) a request for disclosure made by the defendant;

(ii) a response within a reasonable time by the person receiving the request for disclosure; and

(iii) the submission of the response by the defendant to the manufacturer, or if the manufacturer is not known, to the supplier, of the product to be purchased by the defendant, together with a request for a written statement that the process claimed in any patent disclosed in the response is not used to produce such product.

The failure to perform any acts described in the preceding sentence is evidence of absence of good faith unless there are mitigating circumstances. Mitigating circumstances include the case in which, due to the nature of the product, the number of sources for the product, or like commercial circumstances, a request for disclosure is not necessary or practicable to avoid infringement.

(4) (A) For purposes of this subsection, a "request for disclosure" means a written request made to a person then engaged in the manufacture of a product to identify all process patents owned by or licensed to that person, as of the time of the request, that the person then reasonably believes could be asserted to be infringed under section 271(g) if that product were imported into, or sold, or used in, the United States by an unauthorized person. A request for disclosure is further limited to a request–

(i) which is made by a person regularly engaged in the United States in the sale of the same type of products as those manufactured by the person to whom the request is directed, or which includes facts showing that the person making the request plans to engage in the sale of such products in the United States;

(ii) which is made by such person before the person's first importation, use, or sale of units of the product produced by an infringing process and before the person had notice of infringement with respect to the product; and

(iii) which includes a representation by the person making the request that such person will promptly submit the patents identified pursuant to the request to the manufacturer, or if the manufacturer is not known, to the supplier, of the product to be purchased by the person making the request, and will request from that manufacturer or supplier a written statement that none of the processes claimed in those patents is used in the manufacture of the product.

(B) In the case of a request for disclosure received by a person to whom a patent is licensed, that person shall either identify the patent or promptly notify the licensor of the request for disclosure.

(C) A person who has marked, in the manner prescribed by subsection (a), the number of the process patent on all products made by the patented process which have been sold by that person in the United States before a request for disclosure is received is not required to respond to the request for disclosure. For purposes of the preceding sentence, the term "all products" does not include products made before the effective date of the Process Patent Amendments Act of 1988.

(5) (A) For purposes of this subsection, notice of infringement means actual knowledge, or receipt by a person of a written notification, or a combination thereof, of information sufficient to persuade a reasonable person that it is likely that a product was made by a process patented in the United States.

(B) A written notification from the patent holder charging a person with infringement shall specify the patented process alleged to have been used and the reasons for a good faith belief that such process was used. The patent holder shall include in the notification such information as is reasonably necessary to explain fairly the patent holder's belief, except that the patent holder is not required to disclose any trade secret information.

(C) A person who receives a written notification described in subparagraph (B) or a written response to a request for disclosure described in paragraph (4) shall be deemed to have notice of infringement with respect to any patent

referred to in such written notification or response unless that person, absent mitigating circumstances–

(i) promptly transmits the written notification or response to the manufacturer or, if the manufacturer is not known, to the supplier, of the product purchased or to be purchased by that person; and

(ii) receives a written statement from the manufacturer or supplier which on its face sets forth a well grounded factual basis for a belief that the identified patents are not infringed.

(D) For purposes of this subsection, a person who obtains a product made by a process patented in the United States in a quantity which is abnormally large in relation to the volume of business of such person or an efficient inventory level shall be rebuttably presumed to have actual knowledge that the product was made by such patented process.

(6) A person who receives a response to a request for disclosure under this subsection shall pay to the person to whom the request was made a reasonable fee to cover actual costs incurred in complying with the request, which may not exceed the cost of a commercially available automated patent search of the matter involved, but in no case more than $500.

Precursor of Patent Marking Statute
35 U.S.C. § 287 (1952)
(Act of July 1952, ch. 950, § 1, 66 Stat. 813 (1952))

§ 287 Limitation on damages; marking and notice

Patentees, and persons making or selling any patented article for or under them, may give notice to the public that the same is patented, either by fixing thereon the work "patent" or the abbreviation "pat.", together with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is contained, a label containing a like notice. In the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

Precursor of Patent Marking Statute
35 U.S.C. § 49 (1946)
(Act of February 7, 1927, ch. 67, 44 Stat. 1058 (1927))

§ 49. Patented articles marked as such; notice of infringement.

It shall be the duty of all patentees and their assigns and legal representatives, and of all persons making or vending any patented article for or under them, to give sufficient notice to the public that the same is patented; either by fixing thereon the word "patent," together with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is inclosed, a label containing the like notice: *Provided, however,* That with respect to any patent issued prior to April 1, 1927, it shall be sufficient to give such notice in the form following, viz: "Patented," together with the day and year the patent was granted; and in any suit for infringement by the party failing so to mark, no damages shall be recovered by the plaintiff, except on proof that the defendant was duly notified of the infringement and continued, after such notice, to make, use, or vend the article so patented.

Precursor of Patent Marking Statute
R.S. § 4900 (1927)
(Act of February 7, 1927, Ch. 67, 44 Stat. 1058 (1927))

It shall be the duty of all patentees and their assigns and legal representatives, and of all persons making or vending any patented article for or under them, to give sufficient notice to the public that the same is patented; either by fixing thereon the word 'patent,' together with the number of the patent, or when, from the character of the article, this can not be done, by fixing to it, or to the package wherein one or more of them is inclosed, a label containing the like notice: *Provided, however,* That with respect to any patent issued prior to April 1, 1927, it shall be sufficient to give such notice in the form following, viz: 'Patented,' together with the day and year the patent was granted; and in any suit for infringement by the party failing so to mark, no damages shall be recovered by the plaintiff, except on proof that the defendant was duly notified of the infringement and continued, after such notice, to make, use or vend the article so patented.

"Additional Remedy" for Design Patents 35 U.S.C. § 289 (1994)

§ 289 Additional remedy for infringement of design patent

Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but not less than $250, recoverable in any United States district court having jurisdiction of the parties.

Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provision of this title, but he shall not twice recover the profit made from the infringement.

Precursor of "Additional Remedy" for Design Patents
35 U.S.C. § 74 (1946)
(Act of Mar. 3, 1911, ch. 231, § 294, 36 Stat. 1167 (1911))

§ 74. Same; penalty for unauthorized use; injunction to restrain infringement.

During the term of letters patent for a design, it shall be unlawful for any person other than the owner of said letters patent, without the license of such owner, to apply the design secured by such letters patent, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or to sell or expose for sale any article of manufacture to which such design or colorable imitation shall, without the license of the owner, have been applied, knowing that the same has been so applied. Any person violating the provisions, or either of them, of this section, shall be liable in the amount of $250; and in case the total profit made by him from the manufacture or sale, as aforesaid, of the article or articles to which the design, or colorable imitation thereof, has been applied, exceeds the sum of $250, he shall be further liable for the excess of such profit over and above the sum of $250. And the full amount of such liability may be recovered by the owner of the letters patent, to his own use, in any district court of the United States having jurisdiction of the parties, either by action at law or upon a bill in equity for an injunction to restrain such infringement.

Precursor of "Additional Remedy" for Design Patents
35 U.S.C. § 75 (1946)
(Act of Feb. 4, 1887, ch. 105, § 2, 24 Stat. 388 (1887))

§ 75. Same; remedy by existing law not impaired, but owner not to recover twice.

Nothing in section 74 of this title contained shall prevent, lessen, impeach, or avoid any remedy at law or in equity which any owner of letters patent for a design, aggrieved by the infringement of the same, might have had if said section 74 had not been passed; but such owner shall not twice recover the profit made from the infringement.

35 U.S.C. § 296 (1994)

§ 296 Liability of States, instrumentalities of States, and State officials for infringement of patents

(a) *In General.*–Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity, shall not be immune, under the eleventh amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal court by any person, including any governmental or nongovernmental entity, for infringement of a patent under section 271, or for any other violation under this title.

(b) *Remedies.*–In a suit described in subsection (a) for a violation described in that subsection, remedies (including remedies both at law and in equity) are available for the violation to the same extent as such remedies are available for such a violation in a suit against any private entity. Such remedies include damages, interest, costs, and treble damages under section 284, attorney fees under section 285, and the additional remedy for infringement of design patents under section 289.

15 U.S.C. § 1111 (1994)

§ 1111 Notice of registration; display with mark; recovery of profits and damages in infringement suit

Notwithstanding the provisions of section 22 hereof, a registrant of a mark registered in the Patent and Trademark Office may give notice that his mark is registered by displaying with the mark the words "Registered in U.S. Patent and Trademark Office" or "Reg. U.S. Pat. & Tm. Off." or the letter R enclosed within a circle, thus ®; and in any suit for infringement under this Act by such a registrant failing to give such notice of registration, no profits and no damages shall be recovered under the provisions of this Act unless the defendant had actual notice of the registration.

15 U.S.C. § 1111 (1946)
(Act of July 5, 1946, ch. 540, § 29, 60 Stat. 436 (1946))

§ 1111. Notice of registration; display with mark; recovery of profits and damages in infringement suit.

Notwithstanding the provisions of section 1072 of this title, a registrant of a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register established by this chapter, shall give notice that his mark is registered by displaying with the mark as used the words "Registered in U.S. Patent Office" or "Reg. U.S. Pat. Off." or the letter R enclosed within a circle, thus ®; and in any suit for infringement under this chapter by such a registrant failing so to mark goods bearing the registered mark, or by a registrant under the Act of March 19, 1920, or by the registrant of a mark on the supplemental register provided by this chapter no profits and no damages shall be recovered under the provisions of this chapter unless the defendant had actual notice of the registration.